



PORTFOLIO COMMITTEE ON FINANCE, ECONOMIC DEVELOPMENT & TOURISM

NEGOTIATING MANDATE ON THE DIVISION OF REVENUE BILL [*B3-2021*]

1. INTRODUCTION

The Chairperson of the Portfolio Committee on Finance, Economic Development & Tourism, Hon N Maneng, tables the Committee's Report on the ***Division of Revenue Bill [B3 – 2021]***, as adopted by the Portfolio Committee on Monday, 17 May 2021.

2. PROCESS FOLLOWED

- 2.1 The Speaker of the Northern Cape Provincial Legislature has on receipt of the Bill referred the ***Division of Revenue Bill, 2021*** to the Portfolio Committee on Finance, Economic Development & Tourism on 24 March 2021.
- 2.2 On the Monday, 10 May 2021, the Portfolio Committee received a briefing on the Bill from Hon H Aucamp, NCOP Permanent Delegate, Ms Noxolo Mbambo and Mr Letsepa Pakkies from National Treasury.
- 2.3 Public Participation processes that were facilitated:
 - 2.3.1 Hybrid public hearings have been scheduled in all five (5) regions of the Province namely, Frances Baard District (Kimberley); Namakwa District (Springbok and Williston); ZF Mgcawu District (Upington); Pixley Ka Seme District (De Aar); and John Taolo Gaetsewe District (Kuruman).
 - 2.3.2 Adverts have been placed in the following newspapers from 5-7 May 2021:
 - i. Diamond Fields Advertiser (DFA)
 - ii. Gemsbok
 - iii. Noordkaap
 - 2.3.3 A request was also forwarded to all stakeholders in all regions of the Province on Tuesday, 31 March 2021 for written inputs on the Bill following the referral of the Bill to the Legislature.

2.3.4 Jingles in all 8 community radio stations in the Province, namely:

- i. Radio Riverside (Upington & surrounding areas)
- ii. RTS FM (Kimberley & surrounding areas)
- iii. Radio Kaboesna (Calvinia & surrounding areas)
- iv. Kurara FM (Kuruman & surrounding areas)
- v. Radio NFM (Springbok & surrounding areas)
- vi. Revival FM (Kimberley & surrounding areas)
- vii. Radio Ulwazi (De Aar & surrounding areas)
- viii. Radio Vaaltar FM (Taung & surrounding areas)

2.3.5 Radio interview with the Chairperson, Hon N Maneng, on Tuesday, 11 May 2021.

2.3.6 Posters on all official social media pages namely:

- i. Facebook
- ii. Instagram
- iii. Twitter
- iv. WhatsApp
- v. Government Webmail
- vi. Government WhatsApp Groups
- vii. SALGA

3. WRITTEN SUBMISSION/S ON THE BILL

Written submission/s were received from the following:

3.1 ADJ Vries – Educator at Steinkopf High School, Namakwa District, Northern Cape

Kindly note that due to technical problems with the Northern Cape's e-mail server, possible written submissions by the cut off date could not be accessed. Should there be any further written submissions, it will be included for consideration during the Division of Revenue Amendment Bill, 2021 processing.

4. STAKEHOLDER RECOMMENDATIONS ON THE BILL

4.1 The approach to divide revenue using a simple head count, is ineffective and leads to an uneven distribution of revenue to the provinces and municipalities;

4.2 A human-rights - baseline must be used to allocate the budget and inputs from the public must be obtained to determine where spending is needed to implement socio-economic rights;

4.3 Local government is in a dilapidated state and therefore the operational models of how funding is allocated need to be changed. Infrastructure must be fully funded and additional funding is needed to meet the COVID-19 challenges in all municipalities;

- 4.4 Tax on high earners to be increased to raise monies for the state;
- 4.5 Challenges facing the country leads to unemployment in the Province, which contribute to an increase of indigent households in the Tsantsabane Municipality that puts an extra burden on the municipality;
- 4.6 There is a need to review the fiscal framework of local government and the province to ensure sustainability;
- 4.7 Government needs to look at measures to generate revenue for the country and measures must be put in place to create public-private partnerships with all levels of government to ensure that the burden of governance and service delivery is reduced.
- 4.8 The cost of bulk infrastructure services at Tsantsabane Municipality in terms of electricity and water remains a problem despite the equitable share that subsidize indigent people. This allocation is not adequate since the influx of people in municipality during the year further place a burden on the municipality's resources and no provision is made for this in the allocation;
- 4.9 If the demand on the compensation of employees in municipalities are not dealt with in the correct way, it can affect service delivery resulting in protest action and the community not paying for services at the municipality;
- 4.10 District Disaster Management Fund must be decentralised to local municipalities;
- 4.11 Assistance and support to small and local farmers in the Karoo Hoogland Municipality is inadequate and/or non-existent;
- 4.12 A contingent liability fund to be considered for qualifying municipalities;
- 4.13 The unfunded budget of the !Kheis Municipality has a negative impact on the municipality;
- 4.14 Statistics that are used to determine the equitable share is outdated and irrelevant and does not make provision for the influx of people to the province and municipalities;
- 4.15 The mining and agriculture sector needs to be developed;
- 4.16 Creation of jobs and sustainability of jobs is important.

5. STAKEHOLDER POSITION ON THE BILL

- 5.1 The majority of the stakeholders voted in favour of the Bill.

6. COMMITTEE RECOMMENDATIONS ON THE BILL

- 6.1 The Committee is cognisant of the current fiscal challenges brought about by the Covid-19 pandemic but is strongly opposed to the recent cuts to the Province since the pandemic started. The Province has been crippled by these cuts resulting in little to no policy imperatives being implemented. The vastness of the Province and its sparse population as well as the very rural and poor areas has seen the Province receiving a grossly inefficient allocation through the Provincial Equitable Share Formula thus these cuts exacerbated the already strained fiscal condition in the Province. The Province does not compare with other Provinces that generates sufficient revenue and cannot be expected to receive similar cuts. At some stage, it will come to a stage where salaries cannot be paid in especially crucial Departments like Health and Education impacting on service delivery to those communities that are in dire need. The Committee indicated that although there was extensive consultation with Provinces, it does not mean that the Province was in agreement to such severe cuts.

The Committee therefore implores that serious consideration should be given to the Northern Cape's unique dynamics and the crippling effects the cuts had on the execution of the mandate of the Province by providing additional funding to the Province through the Division of Revenue. The Committee further beseeches that no further cuts must be made to the Provincial allocations as this will have severe implications on the administration and service delivery in the Province.

- 6.2 A further grave concern was also raised that the Agricultural sector in the Province that is one of the main providers in terms of job security and economic growth, does not receive the necessary funding to support it. Transformation and equity in the sector are also not evident.

Additional funding is thus requested for the Agricultural Sector in the Province to ensure transformation in the sector and monitoring thereof. Additional funding is also requested to ensure long-term, sustainable and equitable employment and job security that will ensure economic growth for the Province should natural disasters strike as a result of climate change.

- 6.3 Serious climate change conditions are experienced in the Province causing severe weather patterns causing the sector great damages and affecting job security as well.

National Treasury must consider additional funding for climate change programmes/projects.

- 6.4 It is a huge concern that the Provincial Equitable Share only grows by 0.8% and it has been strongly raised year-on-year that the Provincial Equitable Share Formula must take into consideration the unique conditions and challenges in the Northern Cape but yielding very little positive results for the Province. There is also a lack of progress reporting on the discussions. It is therefore requested that updates must be provided with the specific timeframes of the process and when the deliberations on the Provincial Equitable Share Formula will be concluded. It is further unreservedly requested that more should be allocated to the Province to assist the ailing fiscal condition of the Province.

- 6.5 The drought relief grant has not been provisioned any further allocations causing a grave concern for the Province that is still faced with drought in areas.

The Committee implores that the Division of Revenue always makes provision for the drought relief grant in the Province.

- 6.6 It is not clear whether payments in respect of free basic services are paid to providers by municipalities. It is therefore requested that mechanisms should be put in place with certain conditions to municipalities in ensuring that municipalities pay over funding allocated for free basic services to the respective providers.

- 6.7 The lack of consequence management, especially under the current fiscal constraints remains a concern. It is imperative that consequence management must be enforced where officials transgress both nationally and provincially considering the current fiscal constraints.

- 6.8 The Municipal Disaster Relief grant has only been spent at 8% in the Province during the previous financial year of which disaster management at provincial and municipal level in the Province remains a going concern for the Committee.

Guidelines for spending the Municipal Disaster Relief grant must be strengthened with stringent measures in place should it not be spent optimally. Furthermore, a report must be provided with reasons why only 8% were spent to try and remedy the spending in terms of the Municipal Disaster Relief fund.

- 6.9 There are no audits or verification done in terms of Covid-19 expenditure at local government level and it must be ensured that it does take place in ensuring accountability of such spending.

- 6.10 A court case ruled in favour of NERSA receiving an increase on electricity tariffs at 15.6% compared to the budgeted 8.9%. National Treasury must indicate how this deficit will be accommodated in this budget and the timeframes in which it will take place.

- 6.11 There will be additional councillors appointed to the respective wards per Province following the Local Government Elections scheduled for this year. It is not clear if funding has been provisioned to accommodate these additional allowances. It is therefore requested that this matter be considered in the budget.

- 6.12 The Committee further notes with concern that the decrease on the Compensation of Employees bill poses a huge risk to the budget considering the current labour disputes and the Committee requests that this risk should be properly managed in the budget.

- 6.13 The Committee also notes and welcomes the Informal Settlements Grant but limited provision was made for bulk infrastructure and it is requested that this allocations are made comparatively to the MIG and RBIG.

6.14 The cost of bulk infrastructure services at especially mining areas in the Province puts a tremendous burden on municipalities despite the equitable share that subsidize indigent people. This allocation is not adequate since the influx of people in these areas during the year further place a burden on the municipal resources and no provision is made for this in the allocation. It is therefore requested that these matters are taken into consideration in the Bill.

7. COMMITTEE POSITION ON THE BILL

After due deliberation, the Portfolio Committee on Finance, Economic Development & Tourism supports the bill.

8. COMMITTEE ADOPTION ON THE BILL

The Committee adopted this negotiating mandate duly signed by the Chairperson of the Committee, Hon N Maneng.

The Committee recommends to the House to mandate the Permanent Delegates to participate in deliberations at the negotiating stage and to **support** the Bill.

SIGNED ELECTRONICALLY

HON N MANENG
COMMITTEE CHAIRPERSON

Date: 17 May 2021